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SIPDIS

TREASURY FOR OFFICE OF TERRORISM AND FINANCIAL INTELLIGENCE  
- DGLASER  
DEPARTMENT FOR H FOR SENATOR SHELBY

SENSITIVE

E.O. 12958: N/A

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SUBJECT: TERRORISM FINANCE-TURKEY SCENESETTER FOR CODEL  
SHELBY

1.(SBU) I am glad you and your delegation are taking the time to visit Turkey and to look into the issue of terrorism financing. This is an important issue because Turkey's regime to combat the financing of terrorism remains weak and not in compliance with international standards. The financing of terrorism is not yet explicitly criminalized, nor are bank employees that report suspicious transactions free from liability. Although the laws are in the process of being changed, progress is very slow and there seems to be no leadership from the top. Beyond the legal framework, Turkey's ability to be effective in the fight against financial crime is hampered by lack of expertise and poor interagency coordination.

Current Legal Regime:

2.(SBU) Turkey's current legal regime is inadequate to effectively combat the financing of terrorism. The Turkish authorities willingly pass on UN and U.S.-designated names of terrorists to all law enforcement and intelligence agencies, as well as to financial institutions, and have a system for banks to file suspicious transaction reports. However, Turkish law defines terrorism only in terms of attacks on Turkish nationals or threats against the Turkish state. Moreover, the financing of terrorism has yet to be explicitly criminalized. In order to be able to block UN-designated terrorist assets, the authorities have relied on a legally-questionable system of decrees which could be challenged in court. Indeed, two of the three cases in which UN-designated assets have been frozen in Turkey are under legal challenge, a challenge which some Government officials believe may be successful.

3.(SBU) The enforcement system for designated names is also lacking. Banks receive the distributed names but bank employees who file suspicious transaction reports could be sued and this may explain why the number of reports filed is very low compared to other countries.

Upcoming Reforms:

4.(SBU) Thanks largely to prodding from the U.S. and the U.N., and the imminence of an upcoming review by the Financial Action Task Force (FATF), the Turkish authorities began over a year ago to work on reforming their legal framework. On the one hand, an interagency committee has drawn up changes to Turkey's penal code that would bring Turkey into line with international norms: criminalizing terrorism finance and broadening the definition of terrorism to include international terrorism. Although the committee has finished its work, if past legal reforms are any guide, these reforms could take months or years to be enacted unless the senior leadership makes this issue a priority.

Institutional Weakness:

5.(SBU) Beyond the legal regime, Turkey's ability to combat terrorism finance is hampered by the weakness of the financial intelligence unit (known by its Turkish acronym, MASAK), by a broader lack of expertise in investigating financial crimes, and by poor interagency coordination. A new law to reorganize and strengthen MASAK has recently begun to be considered by parliament, but it is not clear how much real effect this will have.

The U.S. Message:

6.(SBU) In your meetings here, Minister of Finance Unakitan and other Turkish officials are likely to tell you they have an effective regime and are in the process of plugging the loopholes. Nevertheless, we do not believe that senior Turkish leaders have made it a priority to strengthen their anti-terror finance regime, despite the November 2003 Istanbul bombings. Your visit provides an excellent

opportunity to remind senior Turkish officials of the need for their leadership, emphasizing U.S. and international community interest in Turkey strengthening its anti-terror finance regime.